

The complaint

Mr F says Capital One (Europe) plc irresponsibly lent to him.

What happened

Mr F opened a credit card account with Capital One in January 2017. The initial limit was £500 and this was increased to £750 in August 2017. He says that the credit was not affordable for him and as a result he got into financial difficulties. In July 2018 he entered into a payment plan, and the following month his account was defaulted. The account has since been sold to a third party.

When he complained to Capital One, it said under the rules this service must follow Mr F had left it too long to complaint about the account opening. And that it had completed proportionate checks that showed the limit increase was affordable.

Mr F was unhappy with this response and so brought his complaint to this service. An investigator, and in turn an ombudsman, reviewed what both parties had said and agreed that we could only consider the merits of Mr F's complaint about the limit increase. They added that the complaint M F raised in 2018 was about a fee he was charged and not about anything else. The reasons we cannot consider the account opening were set out in full in a jurisdiction decision issued to both parties on 25 January 2024.

This means the scope of this complaint has been established to be solely whether or not Capital One was responsible to increase Mr F's limit in August 2017.

The investigator found the checks Capital One completed prior to increasing Mr F's credit limit were proportionate and that it had made a fair lending decision based on the information it gathered.

Mr F disagreed and asked for an ombudsman's review. He said, in summary, whilst he wants an ombudsman to review the limit increase, he still wants the account opening to be looked into too - and if we are not going to do this he will find an alternative way to do so.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Capital One will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Capital One lent responsibly when it increased Mr F's credit limit I need to consider if its checks were proportionate; if not, what would better checks most likely have shown; and then did it make a fair lending decision.

Capital One has shared the checks that it completed before increasing Mr F's limit from £500 to £750. It reviewed his account management to date and it carried out a credit check and income check. From these checks combined it concluded Mr F could afford the additional credit.

I think these checks were proportionate given the value of the increase was £250. And I think from the information it gathered Capital One made a fair lending decision. I say this as his account was well managed, he had no late or over limit fees and at times paid more than the minimum payment. He had not used his card to withdraw cash. So there was nothing in his account management that suggested financial pressure.

The credit check showed his income was unchanged since application and he had a low level of external debt (£1000 on revolving credit and £900 as a non-mortgage balance). There were no defaults showing from the prior 12 months and he was not using payday loans. So I think it was fair and reasonable for the bank to conclude Mr F's finances were stable.

I note Mr F has evidenced there was a bankruptcy order made against him in October 2014 that he told us was discharged from 12 months later. But I can't see this appeared in the bank's credit check as it reads 'no data' under the public records section. And I can only fairly expect the bank to respond to the information its credit check returned.

In the round, I cannot see there were any indications that Mr F would be unable to sustainably repay this credit limit increase.

It follows I do not find Capital One was wrong to extend the additional credit to Mr F.

Finally, I note Mr F remains unhappy that we have not investigated the account opening. But as a decision explaining why we do not have the powers to do this was issued last month, I cannot comment further on this matter.

My final decision

I am not upholding Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 26 March 2024.

Rebecca Connelley
Ombudsman